SENATE COMMERCE COMMITTEE

STATEMENT TO

SENATE, No. 1878

with committee amendments

STATE OF NEW JERSEY

DATED: FEBRUARY 15, 2018

The Senate Commerce Committee reports favorably and with committee amendments Senate Bill No. 1878.

This amended bill, entitled the "New Jersey Health Insurance Premium Security Act," directs the Commissioner of Banking and Insurance to apply for a federal waiver of certain provisions of the Affordable Care Act to support a reinsurance program to help stabilize premiums in the New Jersey individual health insurance market. If the waiver is granted and the commissioner accepts the waiver, the bill creates a reinsurance plan to be known as the Health Insurance Premium Security Plan.

The bill, as amended, directs the commissioner to apply for a waiver from the United States Secretary of Health and Human Services with respect to health insurance coverage in the State for a plan year beginning after January 1, 2019. The commissioner, in consultation with the board of directors of the New Jersey Individual Health Coverage Program (the "board"), is directed to implement the plan to meet the waiver requirements in a manner consistent with federal and State law as approved by the United States Secretary of Health and Human Services. If the waiver is obtained and the commissioner accepts the waiver, the commissioner is directed to administer the program. The bill allows the commissioner to contract for actuarial services as necessary to implement the waiver application required pursuant to the bill.

The bill directs the commissioner to create payment parameters, including an attachment point, reinsurance cap, and coinsurance rate, which govern the plan's operation. The attachment point for the plan is the threshold amount for claims costs incurred by an eligible carrier for an enrolled individual's covered benefits in a benefit year, beyond which the claims costs for benefits are eligible for reinsurance payments. The attachment point is to be set by the commissioner, but shall not exceed the reinsurance cap.

The coinsurance rate for the plan is the rate at which the board will reimburse an eligible carrier for claims incurred for an enrolled individual's covered benefits in a benefit year above the attachment

point and below the reinsurance cap. The coinsurance rate shall be set by the commissioner.

The reinsurance cap is the threshold amount for claims costs incurred by an eligible carrier for an enrolled individual's covered benefits, above which the claims costs for benefits are no longer eligible for reinsurance payments. The reinsurance cap shall be set by the commissioner.

If the claims costs do not exceed the attachment point, a reinsurance payment shall not be made. If the claims costs exceed the attachment point, the reinsurance payment shall be calculated as the product of the coinsurance rate and the lesser of:

(1) the claims costs minus the attachment point; or

(2) the reinsurance cap minus the attachment point.

The amended bill provides that, if the amount in the fund is not anticipated to be adequate to fully fund the approved payment parameters as of July 1 of the year before the applicable benefit, the commissioner shall revise the payment parameters within the available appropriations. The commissioner must permit an eligible carrier to revise an applicable rate filing based on the final payment parameters for the next benefit year.

The commissioner is also directed to undertake certain auditing and review functions to ensure the plan operates pursuant to the bill’s provisions.

As amended, the bill creates the New Jersey Health Insurance Premium Security Fund in the State Treasury for the purposes of the bill. This fund is to be the repository for monies collected pursuant to this bill and other monies received as grants or otherwise appropriated for the purposes of the bill.

For the purpose of providing the funds necessary to carry out the provisions of this bill, each carrier and third party administrator shall be assessed by the commissioner in proportion to the claims paid by the carrier or processed by the third party administrator, as appropriate, for covered persons in this State. The proceeds therefrom are to be deposited into the fund and the amount collected is not to exceed the amount required to fund the plan, less any amounts in the fund received from other sources.

The commissioner must also report on the department’s website certain information regarding the operation of the plan, including the results of an audit performed by an independent certified public accountant for each benefit year.

The amended bill also includes a penalty provision, which penalizes any carrier that violates any provision of the bill, in an amount not less than $1,000 nor more than $10,000 for each day the carrier is in violation of the bill.

It is the sponsor’s intent for the State to obtain a federal waiver to support reinsurance payments to health insurance carriers with respect to claims for eligible individuals for the purpose of

stabilizing premiums for health insurance coverage offered in the New Jersey individual health insurance market. However, if the State is unable to secure federal approval of a waiver, or the commissioner does not accept the waiver, the provisions of the bill will remain inoperative. The bill's effective date reflects this intent.

COMMITTEE AMENDMENTS:

The committee amendments:

- Remove the term "affiliated company" from the definitions;
- Transfer the administration of the reinsurance plan from the Individual Health Coverage Program Board to the Commissioner of Banking and Insurance;
- Provide that the bill only takes effect if the federal waiver is, not only approved, but also accepted by the commissioner;
- Allow the commissioner to contract for actuarial services as necessary to implement the waiver application required pursuant to the bill;
- Revise the assessment provided for in the bill to provide that each carrier and third party administrator shall be assessed by the commissioner in proportion to the claims paid by the carrier or processed by the third party administrator, as appropriate, for covered persons in this State. The proceeds therefrom are to be deposited into the fund and the amount collected is not to exceed the amount required to fund the plan, less any amounts in the fund received from other sources;
- Add a penalty provision for any carrier that violates any provision of the bill, in an amount not less than $1,000 nor more than $10,000 for each day the carrier is in violation of the bill's provisions.